

**LAND USE, 2011**

	Lots	Lot Area	
		Sq. Ft.(000)	%
1- 2 Family Residential	2,732	5,956.7	19.3
Multi-Family Residential	3,260	13,132.8	42.6
Mixed Resid. / Commercial	998	2,533.8	8.2
Commercial / Office	142	761.5	2.5
Industrial	134	1,183.8	3.8
Transportation / Utility	99	749.7	2.4
Institutions	218	3,134.4	10.2
Open Space / Recreation	19	1,667.0	5.4
Parking Facilities	152	678.9	2.2
Vacant Land	390	941.1	3.1
Miscellaneous	55	99.6	0.3
<b>Total</b>	<b>8,199</b>	<b>30,839.3</b>	<b>100.0</b>

Prospect Heights is a neighborhood in the northwest of the New York City borough of Brooklyn. The neighborhood is located in Brooklyn community district 8. The traditional boundaries are Flatbush Avenue to the west, Atlantic Avenue to the north, Eastern Parkway – beginning at Grand Army Plaza – to the south, and Washington Avenue to the east. In the northern section of Prospect Heights are the Vanderbilt Rail Yards, built over as part of the Pacific Park (formerly Atlantic Yards) project. The Barclays Center, home to the NBA's Brooklyn Nets basketball team and the NHL's New York Islanders ice hockey team, is located in the northwestern corner of the neighborhood in Pacific Park at Flatbush and Atlantic Avenues.

Compared to other Brooklyn neighborhoods, Prospect Heights is relatively small and is notable for its cultural diversity as well as its tree-lined streets. Prospect Heights has seen rapid demographic changes over the last decade, and its shifts are exemplified by a mixture of older buildings under reconstruction, rows of classic 1890s brownstones, and newly built luxury condominiums. The neighborhood is served by the New York Police Department's 78th Precinct. A diverse ethnic neighborhood in the 1910s through the 1950s, combining Italian, Irish, Jewish, German, Greek and Yankee residents, Prospect Heights is currently well known for its mixed black and white culture. Every year the West Indian Day Parade, the largest annual parade in New York City, follows Eastern Parkway, beginning in Crown Heights and ending at Grand Army Plaza in Prospect Heights. During the last thirty years, the neighborhood has seen an influx of new residents, increasingly young and white, perhaps due to real estate prices slightly lower than neighboring Park Slope. A thriving commercial zone has emerged along Vanderbilt Avenue and Washington Avenue, which since 2000 has seen a surge in new bars, restaurants, and specialty shops, including New York's first steampunk bar, boutique wine shops, a restaurant opened by Michelin-starred chef Saul Bolton, and stores emphasizing gourmet/artisanal mayonnaise and ice cream.

The area has many Italianate and Neo-Grecian rowhouses, and much of the neighborhood has been designated a New York City historic district. The Prospect Heights Historic District covers an area roughly bounded by Flatbush Avenue, Sterling Place, Washington Avenue, and St.

Marks Avenue, though a section of the historic district extends as far north as Pacific Street. It was listed on the National Register of Historic Places in 1983. The district was designated by the city Landmarks Preservation Commission on June 23, 2009, and approved by the New York City Council on September 17, 2009. It is the fifth largest historic district in New York City.

Prospect Heights is generally well served by all supporting facilities including retail shopping, public transportation, schools, hospitals, and houses of worship. Prospect Heights is served by the 77th police precinct and Engines 219 and 280 of the fire department. There are two medical centers that serve the area--Interfaith Hospital and Medical Center and Kings County Hospital Center. In addition, Prospect Heights contains a branch of the Brooklyn Public Library at Grand Army Plaza. There are numerous public, private, and parochial schools in operation in the area as well as several day care and senior citizen facilities. The area has multiple access to public transportation. The 2, 3 and 4 subways run from Grand Army Plaza along Eastern Parkway. Bus service includes the B45 along Atlantic/Washington Avenue, B65 along Dean Street/Bergen Street, B71 along Eastern Parkway, and the B67 along Flatbush Avenue. These lines provide access to other areas of Brooklyn as well as Midtown and Lower Manhattan.

### **DOWNTOWN BROOKLYN ANALYSIS**

The subject is located just east of the Downtown Brooklyn market. The subject is 3 blocks east of Barclays Center, home of the Brooklyn Nets NBA team. Downtown Brooklyn enjoys excellent access to public transportation, as nearly every subway station and the Long Island Railroad stops at Atlantic Terminal. Downtown Brooklyn experienced a tremendous amount of new development- residential, retail and office, following a rezoning several years ago which increased the FAR.

#### **The Retail Market**

A growing residential population, excellent transportation access, established retail corridors and revitalized pedestrian walkways have created a surging Brooklyn retail market. 150,000 daily shoppers in Downtown Brooklyn create a \$2 billion retail market. Fulton Mall has attracted national retailers including H&M, Swarovski, Aeropostale, Armani Exchange, Express and Nordstrom Rack.

Atlantic Center and Atlantic Terminal feature numerous big box retailers such as Target, Uniqlo, Men's Warehouse, DSW, Marshalls, Victoria's Secret, Old Navy, and Best Buy. The Target store at Atlantic Terminal is consistently ranked among the top 3 revenue producing Target stores nationally.

#### **Office Market**

Downtown Brooklyn is New York City's third-largest central business district, with 17 million square feet of office space; larger than Phoenix, Miami and Atlanta. Tenancy is diverse, including major Manhattan finance firms like Goldman Sachs, JPMorgan Chase and Morgan Stanley, as well as creative tenants including Etsy, West Elm and Gilt Groupe.



STEM (science, technology, engineering and mathematics) industries have brought a new creative class to the borough, bringing high-paying jobs and further enhancing Brooklyn's live-work-play culture. The Tech Triangle formed by DUMBO, Downtown Brooklyn and the Brooklyn Navy yards is home to 500+ tech firms and is expected to welcome 150 more by 2015. Brooklyn, and its booming tech industry has become an extension of Midtown South's "Silicon Alley" Downtown Brooklyn boasts the nation's lowest vacancy rate at just 4.1%.

### **Education**

Downtown Brooklyn has become one of the preeminent college towns in the country. New institutions such as Berkeley College have recently been founded, while other, like NYU Polytechnic are rapidly expanding.

With 57,000 college students, Downtown Brooklyn has a larger student population than Cambridge, Massachusetts. Major institutions include Pratt Institute, NYU Polytechnic, Brooklyn Law School, Long Island University and Empire State College.

NYU's merger with Polytechnic University, resulting in NYU Poly, was completed earlier this year, where more than 4,500 engineering students will help power Brooklyn's STEM economy. NYU's "2030" plan notes the school's intention to increase their presence in Downtown Brooklyn, with a goal of developing over 1million square feet of new program space at MetroTech.

### **Culture**

Brooklyn is home to one of the most dynamic cultural sciences in the country. With renowned institutions like the Brooklyn Academy of Music, the Brooklyn Museum and the Brooklyn Public Library.

Over 500,000 patrons visit the BAM Cultural District annually, second only to Lincoln Center. Recent investments include over \$100 million for new arts facilities and public spaces including \$50 million for BAM Richard B. Fisher Building and \$70 million for the permanent home of the Theater for a new Audience.

### **Barclays Center Arena**

Opened in 2012, the Barclays Center Arena is one of the world's most successful sports arenas. Bringing the passion for sports back to Brooklyn with the borough's first major sports teams since the loss of the Brooklyn Dodgers. Home to the NBA's Brooklyn Nets basketball team and the NHL's New York Islanders (2015), as well as marquee concerts and conventions, Barclays Center Arena is the highest-grossing venue in the country and the second highest-grossing venue in the world, behind only London's O2 Arena.

### **Tourism**

Brooklyn is experiencing unprecedented tourism growth as visitors are increasingly attracted to this epicenter of culture and creativity.

Quick and convenient access to Manhattan, lively surrounding neighborhoods, combined with trendy restaurants and retail draws over 15 million tourists to Brooklyn annually, on par with San Francisco and greater than Boston.

With over 100,000 office workers, 650,000 cultural visitors annually, and millions of fans that will continue to attend Barclays Center Arena every year, Downtown Brooklyn is enjoying a thriving hospitality industry.

### **Transportation**

Downtown Brooklyn is at the crossroads of mass transit and roadways, seamlessly connection Brownstone Brooklyn neighborhoods with Manhattan and Long Island. 14 Subway lines offer an approximately 10 to 20 minute travel time to all major Manhattan markets. 16 bus lines provide service between Downtown Brooklyn and Broadway Junction, Ridgewood, Kings Plaza, Crown Heights, park Slope, Long island City, Kensington, and Canarsie.

### **Residential Highlights**

Downtown Brooklyn's convenient access to Manhattan makes it a natural home for employees in Midtown, Midtown South. And Downtown Manhattan, in addition to the local Brooklyn economy, leading the area to become Brooklyn's fastest growing neighborhood. Approximately 2.5 million residents call Brooklyn home, compared to 1.6 million in Manhattan.

### **Downtown Brooklyn Value Proposition**

New York City residents are increasingly choosing Brooklyn for its livability, lifestyle and relative affordability. Tree lined streets, beautiful 19<sup>th</sup> century architecture, and open air compliment a substantial commercial core, providing families and young professionals the best of both worlds, and a far superior lifestyle to Manhattan.

Residential demand in Brooklyn is skyrocketing, driven by the allure of the borough, but also by the unaffordability of Manhattan developments, where 86% of condominium units planned are expected to be priced at \$1,600 PSF or higher.

Rental discounts are also tightening, with Brooklyn median monthly rents about 45% less than Manhattan in 2006, tightening to just a 12% in 2017, but offering more value on a per square foot basis.

With Brooklyn's residential market forecast to further strengthen into the foreseeable future, the current discount to Manhattan will logically tighten.

### **PUBLIC AND PRIVATE INVESTMENTS**

Since the rezoning of Downtown Brooklyn in 2004, the area has been undergoing an incredible transformation, with nearly \$5 billion in private investment and approximately \$1.5 billion in public improvements underway. With new streetscapes, improved parks, and over 12 million



square feet of mixed use development, Downtown Brooklyn is one of the fastest growing neighborhoods in New York City.

### **Public Investment**

\$350 million in public investment for the development of Brooklyn Bridge Park, a project currently underway. Over \$40 million is being invested in streetscape improvements at Bam Park, Flatbush Avenue, Fox Square and Hoyt Plaza. The addition of permanent pedestrian plazas will benefit surrounding retail, similar to the effect seen in Times Square. \$100 million in public investment has been committed to the improvement of the Bam Cultural District. Notable projects include the construction of the Bam Fisher Building which was completed in 2012, the Theatre for a new Audience, and the renovation of the iconic Strand Theater building.

The crown jewel of the City's 2004 Downtown Brooklyn Redevelopment Plan is Willoughby Square, a 1.25-acre park south of MetroTech Center. \$40 million has already been invested in the project for land acquisition and design work. Upon completion, the park will feature manicured lawns, seating areas, concessions, and gardens above a 700-space, fully-automated, underground parking facility.

### **Private Development**

**Pacific Park:** Forest City Ratner Companies' Atlantic yards development, recently rebranded as Pacific park, will contain 8 million square feet of mixed use development across 22 acres, in addition to the acclaimed Barclays Center Arena. The project will include 247,000 SF of retail, 336,000 SF of commercial space, and 6,430 units of housing, in addition to an 8 acre public park, revitalizing the former LIRR rail yards.

**The Hub:** A 52 story, 720 unit rental tower that contains 20% affordable housing. Amenities will include a fully equipped fitness center with yoga studio and locker rooms, a dog run, a grilling terrace and bike storage for every unit.

**Empire Stores:** Midtown Equities is redeveloping the Empire Stores coffee warehouse buildings in Brooklyn. The redevelopment project will include 300,000 SF of office space, 80,000 SF of retail and restaurant space, and 7,000 SF of rooftop open space and exhibition space. The project is anchored by furniture retailer West Elm. The development is asking for record rents in Brooklyn, rivaling those of Manhattan office space.

**City Point:** 1.8 million square feet of mixed use development including retail, residential, entertainment and office space. The development houses a Century 21, City Target, Armani Exchange, Joybird furniture, a food market, and Alamo Drafthouse Cinema.

**BAM South:** 32-story mixed use development containing 384 residential apartments, 20% affordable, and 21,000 SF of retail space. The site will also contain over 45,000 SF of cultural space. The site also will include raised public plazas and walkways making the area more pedestrian friendly.

## **Downtown Brooklyn Office Market**

Brooklyn has undergone a transformation into a thriving and dynamic office environment. Downtown Brooklyn is now the 3<sup>rd</sup> largest commercial district in New York, and boasts one of the lowest vacancy rates in the nation.

## **Tech Migration**

Brooklyn, and its booming tech industry, has become an extension of Midtown South's "Silicon Alley." Asking rents in Midtown South have skyrocketed 44% over the past three years and the quality of available offices has declined. Tenants have become increasingly attracted to Downtown Brooklyn as it offers the same unique spaces. Yet greater green space and more lifestyle amenities for its young employees. The "Silicon Alley" F train seamlessly connects "Silicon Alley" and Downtown Brooklyn, the preferred live-work-play neighborhood. A multitude of government incentives provide savings of up to \$16 PSF for companies relocating to Downtown Brooklyn.

## **Brooklyn Tech Triangle**

The Tech Triangle formed by DUMBO, Downtown Brooklyn and the Brooklyn Navy Yards is home to 500+ tech firms and is expected to welcome 150 more. Tech firms have had a \$3.1B economic impact on the Brooklyn economy. DUMBO alone has the highest concentration of tech firms in New York. The 20 block neighborhood is home to over 25% of the City's tech companies.

## **Metro Tech**

MetroTech Center, a premier urban office campus developed in 1992, has been a driving force in the evolution of Downtown Brooklyn. It provides 4.7M SF of Class A business and educational space to the area. Today, MetroTech is home to 22,000 employees from premier companies such as JP Morgan Chase, MarkerBot Industries, The Brooklyn Nets, NYU Poly and NYC Nationalgrid.

Metro Tech Commons is a 3.5-acre open space that host concerts, exhibitions and festivals and includes eateries along its border catering to office employees. The campus contains more floor area than the entirety of One World Trade Center while providing a lifestyle bonus for area employees.



**DEMOGRAPHIC OVERVIEW**

The following demographic profile, assembled by Environics Analytics, a nationally recognized compiler of demographic data, reflects the subject's zip code (11238) and market (New York City). The area is projected to have a 2018 population of 53,378 in 24,697 household units. The current projections, as forecasted by Environics Analytics, are as follows:

Description	11238			New York City		
	2018 Estimate	% Change 2010-2018	% Change 2018-2023	2018 Estimate	% Change 2010-2018	% Change 2018-2023
Universe Totals						
Population	53,378	7.63%	3.44%	8,598,697	5.18%	2.54%
Households	24,697	9.49%	4.15%	3,287,344	5.71%	2.74%
Families	10,659	9.28%	3.99%	1,950,879	5.44%	2.65%
Housing Units	26,666			3,564,201		

**HOUSEHOLD INCOME**

The estimated average household income is \$120,461, while the median income is \$90,097. Approximately 15.9% of households have an income of less than \$25,000, while 26.6% of the households earn over \$150,000 per year.

Households by Household Income	11238	% of Total	New York City	% of Total
2018 Est. Households by Household Income	24,697		3,287,344	
Income < \$15,000	2,298	9.3%	478,297	14.5%
Income \$15,000 - \$24,999	1,632	6.6%	315,583	9.6%
Income \$25,000 - \$34,999	1,353	5.5%	265,437	8.1%
Income \$35,000 - \$49,999	2,201	8.9%	360,207	11.0%
Income \$50,000 - \$74,999	3,057	12.4%	474,263	14.4%
Income \$75,000 - \$99,999	2,942	11.9%	355,824	10.8%
Income \$100,000 - \$124,999	2,587	10.5%	272,279	8.3%
Income \$125,000 - \$149,999	2,056	8.3%	196,588	6.0%
Income \$150,000 - \$199,999	2,714	11.0%	218,626	6.7%
Income \$200,000 - \$249,999	1,568	6.3%	114,720	3.5%
Income \$250,000 - \$499,999	1,571	6.4%	132,844	4.0%
Income \$500,000+	718	2.9%	102,676	3.1%
2018 Est. Average Household Income	\$120,461		\$97,040	
2018 Est. Median Household Income	\$90,097		\$60,916	

**POPULATION CHARACTERISTICS**

The neighborhood has an average age of 38 and a median age near 37. 21.10% of the area population is aged 54 and over, while 17.61% is younger than 18 years old.

2018 Est. Population by Age	11238	% of Total	New York City	% of Total
Age 0-17	9,397	17.61%	1,840,206	21.40%
Age 18-34	15,454	28.95%	2,215,434	25.76%
Age 35-54	17,261	32.34%	2,323,708	27.03%
54 and above	11,266	21.10%	2,219,349	25.81%
2018 Est. Median Age	37		37	
2018 Est. Average Age	38		39	

In terms of household size, 39.2% of households are single persons, 32.5% have two persons, and 15.1% have 3 persons. Only 5.4% of households have five or more.

#### HOUSEHOLDS BY SIZE

2018 Est. Households by Household Size	11238	% of Total	New York City	% of Total
1-person	9,679	39.2%	1,062,346	32.3%
2-person	8,035	32.5%	903,261	27.5%
3-person	3,726	15.1%	527,334	16.0%
4-person	1,926	7.8%	392,569	11.9%
5-person	748	3.0%	208,620	6.4%
6-person	350	1.4%	101,038	3.1%
7-or-more-person	233	0.9%	92,176	2.8%

#### EDUCATIONAL ATTAINMENT

The population is relatively well educated. 8.4% have not earned a high school diploma in contrast to 33.22% with a bachelor's degree and 27.5% with advanced degrees.

Educational Attainment	11238	% of Total	New York City	% of Total
2018 Est. Pop Age 25+ by Edu. Attainment	41,096		6,029,154	
Less than 9th grade	1,448	3.52%	605,067	10.04%
Some High School, no diploma	2,020	4.92%	551,262	9.14%
High School Graduate (or GED)	5,734	13.95%	1,451,220	24.07%
Some College, no degree	4,965	12.08%	843,312	13.99%
Associate Degree	1,981	4.82%	379,528	6.29%
Bachelor's Degree	13,652	33.22%	1,303,936	21.63%
Master's Degree	8,322	20.25%	627,689	10.41%
Professional School Degree	1,923	4.68%	179,286	2.97%
Doctorate Degree	1,051	2.56%	87,854	1.46%

#### EMPLOYMENT DYNAMICS

According to Environics Analytics, 79.71% of workers are characterized as "white collar," while 6.59% are engaged in "blue collar" activities. 13.70% of the employed population works in the service and farm sectors. Within these broad categories, the largest employment sectors in the city are Arts/Entertainment/Sports (15.2%), Management (13.3%), and Office/Admin. Support (10.0%).



## AREA AND MARKET ANALYSIS

Occupation Classification	11238	% of Total	New York City	% of Total
2018 Est. Pop 16+ by Occupation Classification	30,237		3,996,146	
White Collar	24,102	79.71%	2,493,041	62.39%
Blue Collar	1,993	6.59%	582,776	14.58%
Service and Farm	4,142	13.70%	920,329	23.03%

Occupation	11238	% of Total	New York City	% of Total
2018 Est. Civ. Employed Pop 16+ by Occupation	30,237		3,996,146	
Architect/Engineer	551	1.82%	36,644	0.92%
Arts/Entertainment/Sports	4,587	15.17%	189,916	4.75%
Building Grounds Maintenance	616	2.04%	180,799	4.52%
Business/Financial Operations	2,279	7.54%	227,087	5.68%
Community/Social Services	910	3.01%	82,074	2.05%
Computer/Mathematical	1,100	3.64%	100,844	2.52%
Construction/Extraction	348	1.15%	169,372	4.24%
Education/Training/Library	2,850	9.43%	255,535	6.39%
Farming/Fishing/Forestry	2	0.01%	3,080	0.08%
Food Prep/Serving	1,305	4.32%	243,559	6.09%
Health Practitioner/Technician	1,046	3.46%	205,094	5.13%
Healthcare Support	674	2.23%	187,899	4.70%
Maintenance Repair	303	1.00%	74,658	1.87%
Legal	1,109	3.67%	80,181	2.01%
Life/Physical/Social Science	408	1.35%	34,585	0.87%
Management	4,023	13.30%	400,738	10.03%
Office/Admin. Support	3,010	9.95%	487,959	12.21%
Production	402	1.33%	103,462	2.59%
Protective Services	473	1.56%	109,603	2.74%
Sales/Related	2,229	7.37%	392,384	9.82%
Personal Care/Service	1,072	3.55%	195,389	4.89%
Transportation/Moving	940	3.11%	235,284	5.89%

## TRANSIT DYNAMICS

There are good links to employment centers via public transport and the local highway network. Based on its urban location, roughly 9.02% of the employed drove alone to work. Given strong public transit service, 71.95% traveled by public transportation. The average travel time is roughly 43 minutes. Within this, roughly 5.7% of workers travel less than 15 minutes, while 24% live within 30 minutes of their jobs. The remaining workers travel in excess of a half hour. 14.6% work an hour or more away from home.

Travel Time to Work	11238	% of Total	New York City	% of Total
2018 Est. Workers Age 16+ by Travel Time to Work	27,925		3,750,601	
Less than 15 Minutes	1,594	5.7%	351,175	9.4%
15 - 29 Minutes	4,994	17.9%	795,040	21.2%
30 - 44 Minutes	9,916	35.5%	1,029,785	27.5%
45 - 59 Minutes	7,352	26.3%	607,485	16.2%
60 or more Minutes	4,069	14.6%	967,116	25.8%
2018 Est. Avg Travel Time to Work in Minutes	43		45	

## HOUSING DYNAMICS

Housing units are mostly renter occupied (75.62%), with 24.38% owner occupied. Reflecting this dynamic, the distribution of housing units is skewed towards multi-unit residential housing which makes up 34.5% of the total, while 65.5% is multi-unit residential housing.

Occupied Housing Units By Tenure	11238	% of Total	New York City	% of Total
2018 Est. Occupied Housing Units by Tenure	24,697		3,287,344	
Owner Occupied	6,020	24.38%	1,008,270	30.67%
Renter Occupied	18,677	75.62%	2,279,074	69.33%

Housing Units by Units in Structure	11238	% of Total	New York City	% of Total
2018 Est. Housing Units by Units in Structure	26,663		3,561,622	
1 Unit Attached	1,043	3.91%	243,456	6.84%
1 Unit Detached	314	1.18%	321,933	9.04%
2 Units	2,447	9.18%	473,623	13.30%
3 or 4 Units	5,396	20.24%	365,794	10.27%
5 to 19 Units	6,855	25.71%	461,548	12.96%
20 to 49 Units	4,511	16.92%	563,818	15.83%
50 or More Units	6,096	22.86%	1,126,405	31.63%
Mobile Home or Trailer	1	0.00%	5,045	0.14%
Boat, RV, Van, etc.	3	0.01%	2,579	0.07%

New development in the neighborhood represents 7.39% of the total stock added in this period. Given the overwhelming presence of older housing stock, the median year built is 1940.

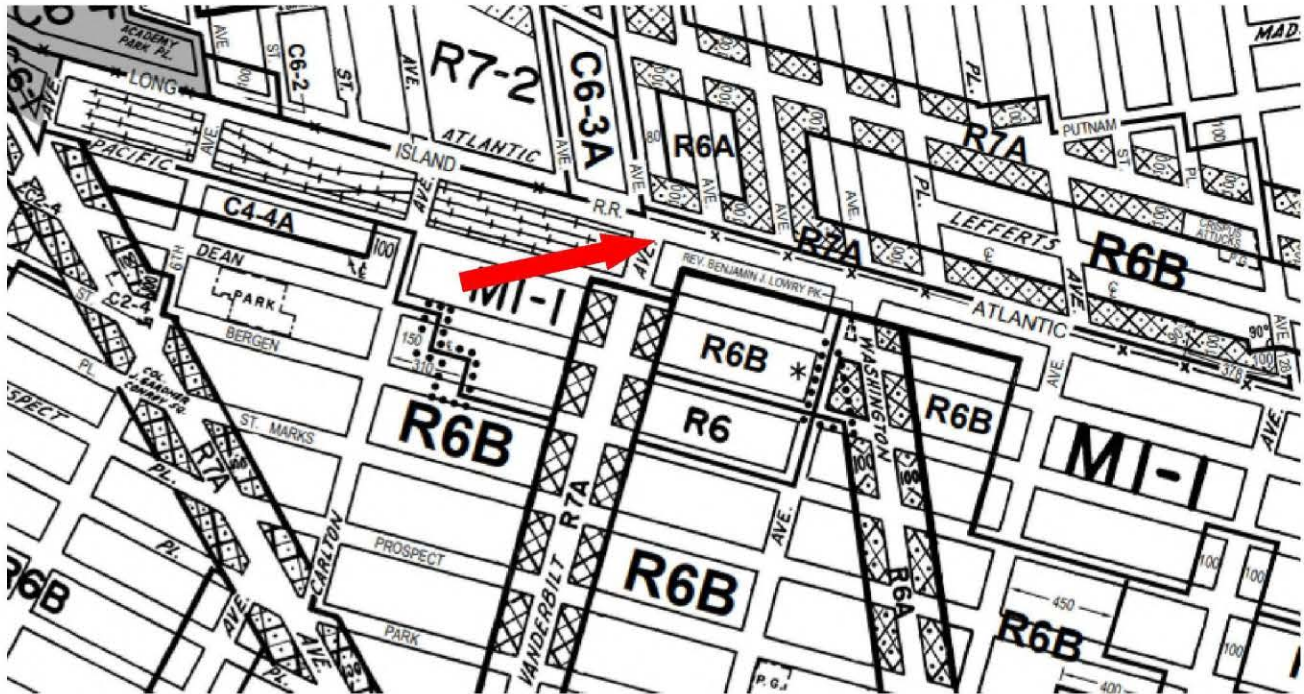
Housing Units by Year Structure Built	11238	% of Total	New York City	% of Total
2018 Est. Housing Units by Year Structure Built	26,666		3,564,201	
Housing Units Built 2014 or Later	1,970	7.39%	179,905	5.05%
Housing Units Built 2010 to 2013	274	1.03%	29,810	0.84%
Housing Units Built 2000 to 2009	1,446	5.42%	224,476	6.30%
Housing Units Built 1990 to 1999	671	2.52%	123,611	3.47%
Housing Units Built 1980 to 1989	398	1.49%	158,860	4.46%
Housing Units Built 1970 to 1979	957	3.59%	245,381	6.88%
Housing Units Built 1960 to 1969	1,396	5.24%	431,463	12.11%
Housing Units Built 1950 to 1959	1,161	4.35%	458,374	12.86%
Housing Units Built 1940 to 1949	1,649	6.18%	353,817	9.93%
Housing Unit Built 1939 or Earlier	16,744	62.79%	1,358,504	38.12%

The median owner-occupied home value is \$907,690, with 44% of homes valued at \$1,000,000 or more.



## AREA AND MARKET ANALYSIS

<b>Owner-Occupied Housing Units by Value</b>	<b>11238</b>	<b>% of Total</b>	<b>New York City</b>	<b>% of Total</b>
2018 Est. Owner-Occupied Housing Units by Value	6,020		1,008,270	
Value Less than \$20,000	39	0.65%	15,836	1.57%
Value \$20,000 - \$39,999	37	0.61%	11,744	1.16%
Value \$40,000 - \$59,999	42	0.70%	7,933	0.79%
Value \$60,000 - \$79,999	7	0.12%	5,806	0.58%
Value \$80,000 - \$99,999	6	0.10%	6,157	0.61%
Value \$100,000 - \$149,999	32	0.53%	22,135	2.20%
Value \$150,000 - \$199,999	56	0.93%	28,598	2.84%
Value \$200,000 - \$299,999	137	2.28%	74,944	7.43%
Value \$300,000 - \$399,999	358	5.95%	122,074	12.11%
Value \$400,000 - \$499,999	357	5.93%	147,571	14.64%
Value \$500,000 - \$749,999	1,257	20.88%	264,086	26.19%
Value \$750,000 - \$999,999	1,033	17.16%	134,937	13.38%
Value \$1,000,000 - \$1,499,999	1,218	20.23%	76,850	7.62%
Value \$1,500,000 - \$1,999,999	551	9.15%	28,711	2.85%
Value \$2,000,000 or more	890	14.78%	60,888	6.04%
2018 Est. Median All Owner-Occupied Housing Value	\$907,690		\$547,689	

**ZONING SUMMARY****ZONING MAP**

The subject property is zoned M1-1 and R6B.

**M1-1 Summary**

M1 districts range from the Garment District in Manhattan and Port Morris in the Bronx with multistory lofts, to parts of Red Hook or College Point with one- or two-story warehouses characterized by loading bays. M1 districts are often buffers between M2 or M3 districts and adjacent residential or commercial districts. M1 districts typically include light industrial uses, such as woodworking shops, repair shops, and wholesale service and storage facilities. Nearly all industrial uses are allowed in M1 districts if they meet the stringent M1 performance standards. Offices, hotels and most retail uses are also permitted. Certain community facilities, such as hospitals, are allowed in M1 districts only by special permit, but houses of worship are allowed as-of-right.

In M1-5A and M1-5B districts mapped in SoHo/NoHo, artists may occupy joint living-work quarters as an industrial use. Other than M1 districts paired with residence districts in Special Mixed Use Districts, M1-5M and M1-6M districts (by special permit) and M1-D districts (by authorization or certification) are the only manufacturing districts in which residences are permitted. However, in M1-6D districts, residential use may be allowed as-of-right on zoning lots under certain conditions.



In M1-5M and M1-6M districts, mapped in parts of Chelsea, space in an industrial building may be converted to residential use, provided a specified amount of floor area is preserved for particular industrial and commercial uses.

Floor area ratios in M1 districts range from 1.0 to 10.0, depending on location; building height and setbacks are controlled by a sky exposure plane which may be penetrated by a tower in certain districts. Although new industrial buildings are -usually low-rise structures that fit within sky exposure planes, commercial and community facility buildings can be constructed as towers in M1-3 through M1-6 districts. In the highest density manufacturing district, M1-6, mapped only in Manhattan, an FAR of 12 can be achieved with a bonus for a public plaza. Except along district boundaries, no side yards are required. Rear yards at least 20 feet deep are usually required, except within 100 feet of a corner.

Parking and loading requirements vary with district and use. M1-1, M1-2 and M1-3 districts are subject to parking requirements based on the type of use and size of an establishment. For example, a warehouse in an M1-1 district requires one off-street parking space per 2,000 square feet of floor area or per every three employees, whichever would be less. Parking is not required in Long Island City or M1-4, M1-5 and M1-6 districts, mapped mainly in Manhattan. Requirements for loading berths of specified dimensions differ according to district, size and type of use.

### Summary of Bulk Regulations

M1 Manufacturing Districts						
M1	M1-1	M1-2	M1-3	M1-4	M1-5	M1-6
FAR (max)	1.0	2.0	5.0	2.0	5.0	10.0 <sup>1</sup>
Parking	required	required	required	not required	not required	not required

<sup>1</sup> FAR bonus up to 20% for a public plaza

### Summary of Use Regulations

The following uses are permitted in M1 districts:

Category	Permitted Uses
Use Group 4	Churches, medical offices.
Use Groups 5-14	The full range of retail, commercial and recreational uses except for amusement parks.
Use Groups 16 & 17	Light manufacturing uses.

### R6B Summary

R6B districts are often traditional row house districts, which preserve the scale and harmonious streetscape of neighborhoods of four-story attached buildings developed during the 19th century. Many of these houses are set back from the street with stoops and small front yards that are typical of Brooklyn's "brownstone" neighborhoods, such as Park Slope, Boerum Hill and Bedford Stuyvesant.

The Floor Area Ratio (FAR) of 2.0 and the mandatory Quality Housing regulations also accommodate apartment buildings at a similar four- to five-story scale. The base height of a new building before setback must be between 30 and 40 feet and the maximum height is 50 feet. For buildings providing a qualifying ground floor, the maximum base height and overall height increase by five feet. Curb cuts are prohibited on zoning lot frontages less than 40 feet. The street wall of a new building, on any lot up to 50 feet wide, must be as deep as one adjacent street wall but no deeper than the other. Buildings must have interior amenities for the residents pursuant to the Quality Housing Program.

Higher maximum FAR are available for buildings participating in the Inclusionary Housing program or that provide certain senior facilities.

Off-street parking is generally required for 50 percent of a building's dwelling units, but requirements are lower for income-restricted housing units (IRHU) and are further modified in certain areas, such as within the Transit Zone and the Manhattan Core, or for lots less than 10,000 square feet. Parking can be waived if five or fewer spaces are required. Off-street parking is not allowed in front of a building.

### Summary of Bulk Regulations

Medium-Density Contextual Residence District											
R6B	Lot Area	Lot Width	Rear Yard	Lot Coverage		FAR	Base Height	Building Height	# of Stories	DU Factor	Required Parking
	min.	min.	min.	Corner	Other Lot	max.	min.-max. (w/QGP)	max. (w/QGP)	max. (w/QGP)		Basic IRHU
Basic	1,700 sf	18 ft	30 ft	100%	60%	2.00	30-40 (45) ft	50 (55) ft	n/a (5)	680	50% of DU
Inclusionary						2.20					25% of IRHU

### Conformity/Compliance

Based on the site area of 29,000± square feet, and the maximum FAR of 1.0 for the M1-1 zoned portion (22,000 SF) and 2.0 for the R6B portion (7,000 SF), the maximum buildable area is 36,000± square feet. Lot 1 is presently improved with a 3,760 square foot McDonalds building and Lots 68 and 71 are vacant. With 17,000 SF of site area and a FAR of 1.0, Lot 1 is underbuilt.

The table below summarizes the buildable area.

	Lot			Total	FAR as of Right	Buildable Area
	1	71	68			
Total Site Area	22,000	4,500	2,500	29,000		
M1-1 Zoned	17,000	4,500	500	22,000	1.00	22,000
R6B Zoned		5,000		7,000	2.00	14,000
Total				29,000		36,000



It should be noted that we are not experts in the interpretation of complex zoning ordinances, and the determination of compliance should be made by a registered architect or engineer. Any opinions of value stated herein are based on the assumption that the proposed improvements conform and comply with all governing zoning restrictions.

### **M-CROWN REZONING**

Brooklyn Community District 8 is seeking to rezone areas zoned M1-1 to allow mixed use development and a higher FAR. The subject is located within this area, known as the M-CROWN rezoning area. It is possible the subject could be rezoned in the future.

In 2015, Brooklyn's Community District Board 8, which covers Prospect Heights and northern Crown Heights, voted to approve a resolution requesting the Department of City Planning study land use changes in the district's six-block manufacturing zone, located between Grand and Franklin Avenues just south of Atlantic Avenue. The subject is within this area.

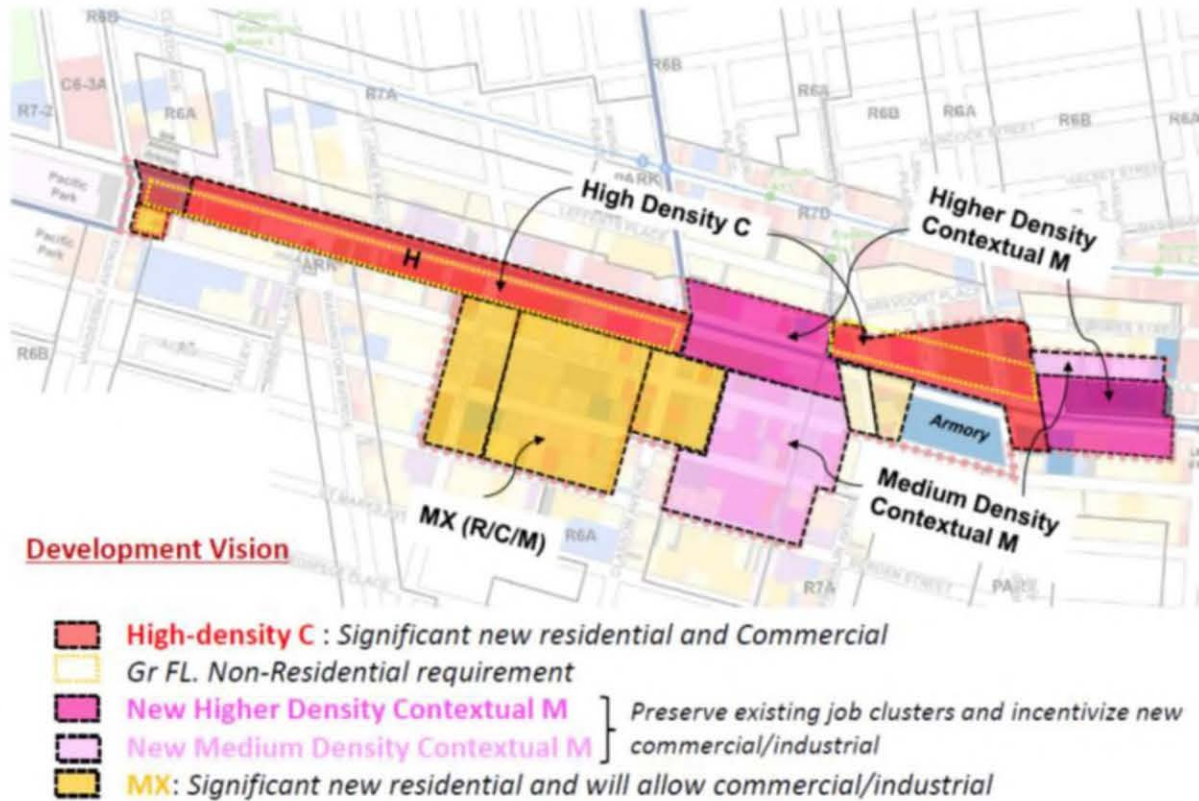
This movement sought to both acknowledge and justify a rezoning initiative based on the existing conditions/properties that were underutilized or vacant, with the goal of revitalization to the area while retaining existing industrial businesses, encouraging new ones to locate there, and creating opportunities for affordable housing development.

Community Board 8 seeks to increase the FAR to 5.6, allowing residential development and require 1.5 FAR to be set aside for industrial/commercial use, and guaranteeing at least 20% of the new residential units being affordable to tenants earning the median income for Community Board 8 or less. The result will expand from a total of 25 businesses and 289 jobs to 31 businesses and 363 jobs.

Permitted uses include: industrial, commercial, multi-family residences, and retail uses only on the first floor. Prohibited uses include: Hotels, infrastructure uses (such as parking lots and pumping stations), and self-storage warehouses. Height and lot coverage requirements are a maximum height of 100 feet, a minimum setback at 60 feet and maximum of 85 feet, and allowing two ground industrial floors to occupy the entire lot footprint.

Based on the meeting from February 2018, Community District Board 8 Re-zoning initiative is still in the pipeline. However it is likely the subject could be rezoned to allow a higher FAR and/or mixed use development.

Below is a map of the rezoning area.



The goals are:

- Rezone interior side streets of MX zone as C4-3A: 4.8 FAR maximum overall with community facility use, 3 FAR maximum commercial, 3.6 MIH residential, height up to 85 feet.
- Rezone north-south MX blocks as C4-4A: 4.8 FAR maximum overall with community facility use, 4 FAR maximum commercial, 4.6 MIH residential, height up to 95 feet.
- Rezone C zone along Atlantic as C6-1; 6.5 FAR maximum with community facility, 6 FAR maximum commercial, 4.6 MIH residential, height up to 145 feet.
- Lots that DCP identified for “loft preservation” to retain manufacturing use in spring 2017 would now be slated for residential conversion



The following information describes the request for rezoning.

**Community Board 8 Housing Committee**  
Proposed Resolution Requesting Study for Rezoning  
March 5, 2015

The following resolution requesting the New York City Department of City Planning study rezoning of the M1-1 zone was passed by the M1-1 Zone Subcommittee on February 23, 2015. It is now presented for approval by the Housing Committee. The resolution text appears in the left column below. The right column contains further explanation of its proposed terms.

Resolution	Notes
<p>Whereas a six-block area located in the northwest sector of Crown Heights and bound by Atlantic Avenue, Franklin Avenue, Bergen Street, and Grand Avenue is currently zoned M1-1 (the "M1-1 Zone"); and</p> <p>Whereas Community Board 8 finds that: the M1-1 Zone contains many properties that are vacant or otherwise underutilized, and that the current zoning provides little economic incentive for owners to improve such properties so that they can become productive; and</p> <p>Whereas adjoining neighborhoods outside the M1-1 Zone are experiencing strong demand for both residential and commercial real estate; and</p> <p>Whereas Community Board 8 finds that there yet remains an urgent need for affordable housing and jobs paying a living wage or better to be created within its District;</p> <p>Now therefore, it is resolved that Brooklyn Community Board 8 hereby requests the New York City Department of City Planning to prepare a plan for the rezoning of the M1-1 Zone to include the following requirements:</p>	<p>This preamble describes the area to be rezoned and states the justification for rezoning.</p>
<p>1) That new zoning increase the current FAR of 1 to an FAR of 5.6 for new construction, of which a minimum of 1.5</p>	<p>This provision increases density to 5.6 FAR, but mandates at least 1.5 FAR be used for manufacturing/commercial uses. Subtracting</p>

<p>FAR will be mandated for combined industrial, manufacturing and commercial uses, with the remaining FAR allowed for residential uses;</p>	<p>common areas such entry, stairs and elevator, 1.5 FAR should provide for two floors of non-residential use.</p>
<p>2) That the new zoning provide for height and setback regulation as specified for R7D zones in the Zoning Resolution of the City of New York<sup>1</sup>, with the exception that two full floors be considered a permitted obstruction, amending Section 43-23(b)(1)<sup>2</sup> of the Zoning Resolution and waiving Section 43-26<sup>3</sup>;</p>	<p>This provision establishes a maximum height of 100 feet with a minimum setback at 60 feet and maximum of 85 feet, and allows two lower manufacturing floors to occupy the entire lot footprint.</p>
<p>3) That new zoning require new residential uses for properties within the M1-1 zone permanently set aside at least 20% of residential floor area for dwelling units affordable to tenants earning the median income or less for Brooklyn Community District 8;</p>	<p>This provision mandates 20% of new residential floor area for apartments affordable to people earning the median income for CD8, consistent with <a href="#">CB8's interim policy for the M1-1 zone</a>.</p>
<p>4) That new zoning allow Use Group 2<sup>4</sup>, as well as the as-of-right uses for M1 zones as set forth in the Zoning Resolution, Sections 42-11<sup>5</sup> and 42-12<sup>6</sup>, subject to the following exceptions:</p>	<p>Use Group 2 is for multifamily residences. The proposed resolution retains all uses allowed for M1 zones (see footnotes references to the <a href="#">Zoning Text</a>), subject to the exceptions listed next.</p>



<ul style="list-style-type: none"> <li>The following Use Groups shall be allowed only on the block fronts of Grand Avenue, Classon Avenue and Atlantic Avenue, as well as on lots within 100 feet of those streets located on Pacific Street, Dean Street and Bergen Street, and may represent no more than 1 FAR of use, with the exception of food stores, for which FAR used shall not be limited: Use Groups 6A (convenience retail or service establishments), 6C (retail or service establishments), 6E (clubs).</li> </ul>	<p>The resolution limits retail establishments to the north/south avenues of the zone, plus Atlantic Avenue. Retail uses other than food stores are allowed only on the first floor. This limitation is intended to balance the goals of maximizing commercial space for uses that create the largest number of living wage jobs, and providing for services that would be desirable to the zone's new residents.</p>
<ul style="list-style-type: none"> <li>The following Use Groups shall not be allowed on any lot in the M1-1 Zone: 5 (hotels), 6D (public service establishments), 12C (public service establishments), 16.</li> </ul>	<p>The resolution seeks to prohibit hotels and infrastructure uses such as parking lots and pumping stations.</p>
<ul style="list-style-type: none"> <li>The following Use Groups will be required to receive a special permit from the City Planning Commission based upon the advisory recommendation of Community Board 8 for any lot in the M1-1 Zone: 8A (amusements), 12A (amusements).</li> </ul>	<p>Nightclubs and performance venues would require special permission from CPC after review and advice from CB8.</p>
<ul style="list-style-type: none"> <li>The following Use Groups shall not be allowed on any lot in the M1-1 Zone: 5 (hotels), 6D (public service establishments), 12C (public service establishments), 16.</li> </ul>	<p>The resolution seeks to prohibit hotels and infrastructure uses such as parking lots and pumping stations.</p>
<ul style="list-style-type: none"> <li>The following Use Groups will be required to receive a special permit from the City Planning Commission based upon the advisory recommendation of Community Board 8 for any lot in the M1-1 Zone: 8A (amusements), 12A (amusements).</li> </ul>	<p>Nightclubs and performance venues would require special permission from CPC after review and advice from CB8.</p>
<p>5) That the new zoning allow for the transfer of available FAR above 1.5 between properties in the M1-1 zone, subject to height and setback requirements.</p>	<p>This provision is intended to allow owners of smaller lots to take economic advantage of the rezoning by transferring air rights.</p>

**ASSESSED VALUE AND REAL ESTATE TAXES****TAX MAP****Assessments**

The subject property is designated on the Kings County tax maps as Block 1122, Lots 1, 68 and 71. The tentative 2018/19 assessed value for the subject property is reported as follows:

Lot 1		
	Actual	Transitional
Land	\$153,000	\$153,000
Building	+ 301,050	294,890
Total	\$454,050	\$447,890

Lot 68		
	Actual	Transitional
Land	\$47,250	\$31,660
Building	+ 0	0
Total	\$47,250	\$31,660



Lot 71		
	Actual	Transitional
Land	\$99,450	\$97,910
Building	+	0
Total	\$99,450	\$97,910

Total A.V.	\$577,460
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Properties in New York City are assessed every year. Increases in assessed value for commercial properties are phased in over a five-year transitional period. The "Transitional" assessed value represents the phased-in, and the "Actual" assessed value represents the future or target assessment when the transitional or phase-in period is over. The tax rate is applied to the lower of the transitional or actual assessed values.

### Tax Rates

The City of New York has four tax categories for real properties. The subject is assessed as a Class 4 commercial property. The following is an historical analysis of New York City tax rates:

#### REAL ESTATE TAX RATES

Year	Class 1	Class 2	Class 3	Class 4
2006/2007	16.118	12.737	12.007	10.997
2007/2008	15.434	11.928	11.577	10.059
2008/2009	16.196	12.596	12.137	10.241
2009/2010	17.088	13.241	12.743	10.426
2010/2011	17.364	13.353	12.631	10.312
2011/2012	18.205	13.433	12.473	10.152
2012/2013	18.569	13.181	12.477	10.288
2013/2014	19.191	13.145	11.902	10.323
2014/2015	19.157	12.855	11.125	10.684
2015/2016	19.554	12.883	10.813	10.656
2016/2017	19.991	12.892	10.934	10.574
2017/2018	20.385	12.719	11.891	10.514

Source: NYC DOF

The 2017/18 Class 4 tax rate is currently 10.514% per \$100 of assessed value. Tax rates for subsequent years have not been announced. Over the past five years, the tax rate has remained fairly stable.

### Tax Liability Calculation

Based on the current tax rate of 10.514% per \$100 of assessed value and the 2018/19 assessments, the subject's upcoming real estate taxes are projected as follows:

Taxable AV		Tax Rate		Tax Liability
\$577,460	x	10.514%	=	\$60,714

## SUBJECT PROPERTY PHOTOS

### MCDONALDS ON LOT 1





**ATLANTIC AVENUE**



**PACIFIC STREET**





**VANDERBILT AVENUE**



**PROPERTY DESCRIPTION**

The subject property is a 29,000 square foot, U-shaped development site located on the eastern blockfront of Vanderbilt Avenue between Atlantic Avenue and Pacific Street in the Prospect Heights neighborhood of Brooklyn, City and State of New York. There is 170 feet of frontage on Atlantic Avenue, 200 feet of frontage on Vanderbilt Avenue and 120 feet of non-contiguous frontage on Pacific Street. The site is identified on the Kings County tax map as Block 1122 Lots 1, 68 and 71. Lot 1 contains a 3,760 square foot McDonalds building and Lots 68 and 71 are vacant. Lots 1 and 68 are split zoned M1-1 and R6B, and Lot 71 is zoned M1-1. In total 22,000 square feet is zoned M1-1 and 7,000 square feet is zoned R6B. The table below summarizes the development potential as of right.

	Lot						
	<u>1</u>	<u>71</u>	<u>68</u>	Total	FAR as of	Buildable	Frontage
Total Site Area	22,000	4,500	2,500	29,000	Right	Area	
M1-1 Zoned	17,000	4,500	500	22,000	1.00	22,000	170 ft on Atlantic Ave, 200 ft on Vanderbilt Ave, 45 ft on Pacific St and 5 ft mid block on Pacific St
R6B Zoned		5,000	2,000	7,000	2.00	14,000	70 feet on Pacific Street, mid block
Total				29,000		36,000	



**SITE DESCRIPTION**

The site characteristics are summarized:

<b>Location:</b>	The subject site is on the eastern blockfront of Vanderbilt Avenue between Atlantic Avenue and Pacific Street in the Prospect Heights neighborhood of Brooklyn, City and State of New York.
<b>Site Area:</b>	29,000± Square Feet
<b>Shape:</b>	U shaped
<b>Frontage:</b>	There is 170 feet of frontage on Atlantic Avenue, 200 feet of frontage on Vanderbilt Avenue and 120 feet of non-contiguous frontage on Pacific Street.
<b>Topography:</b>	Generally level at street grade
<b>Drainage:</b>	Adequate
<b>Paving:</b>	All roads are paved with asphalt in accordance with New York City standards. All roads appeared to be in satisfactory condition.
<b>Street Drainage:</b>	Street drainage is collected with the utilization of recessed catch basins. The catch basins empty by gravity into the New York City sewer storm system mains.
<b>Street Lighting:</b>	Street lighting consists of standard lighting fixtures which are 400-watt, sodium vapor fixtures and controlled by photo cells. The lighting fixtures are post mounted as per New York City requirements.
<b>Utilities + Services:</b>	Sewer - New York City Refuse – New York City Fire Protection – New York City Police - New York City Water – New York City Gas – Consolidated Edison Company Electric - Consolidated Edison Company

**Hazardous Substances:** We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the services of a professional engineer for this purpose.

**Flood Hazard Status:** The subject property is located in Zone X, an area of minimal flooding per Flood Insurance Rate Map #360497-0212F, effective September 5, 2007. Flood insurance is not required for properties in this zone.

**Conclusion:** The subject site is similar to other lots located in the immediate subject vicinity. The site conforms to neighboring standards in most respects and there are no negative external factors affecting the site. Based upon the current use of the site, all aspects of the site are functionally adequate.



## FLOOD MAP



## Summary

The information contained in the sections entitled "Site Description" and "Building Description" was obtained from the following sources:

Formal field inspection, June 26, 2018.

New York City planning, zoning and assessment records.

Sanborn Land Book.

## HIGHEST AND BEST USE

The following definition of Highest and Best Use is set forth in The Dictionary of Real Estate Appraisal 6<sup>th</sup> edition sponsored by the Appraisal Institute. Highest and Best Use is:

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.
3. The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.

In determining highest and best use, we have considered the following:

- The current trends of supply and demand on the market.
- Current zoning regulations and other possible restrictions.
- Neighboring land uses.

It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

In estimating highest and best use, alternative uses are considered and tested for the subject site.

- **Possible Use** - An analysis to determine those uses of the subject which can be deemed physically possible;
- **Permissible Use** - An investigation into existing zoning regulations, lease terms, and deed restrictions on the site to determine which uses are legally permitted;
- **Feasibility** - An analysis to determine which of those uses deemed possible and legal can provide a net return to the owner of the site;
- **Highest and Best Use** - Among the feasible uses, which use will provide the highest net return or highest present worth.



**As Vacant/Improved****Legally Permissible**

The subject property is zoned M1-1 and R6B. The M1-1 portion permits manufacturing, commercial and community use development as of right. The R6B portion permits residential, commercial and community use development as of right.

A rezoning is currently being contemplated for the subject's immediate area. The effect of the rezoning would be a likely increase in FAR and potentially allowing residential use on the current M1-1 portion of the subject site. Details on the rezoning can be found in the zoning section of the appraisal.

We are not aware of any public or private deed restrictions that preclude development on the site. Our analysis of the market indicates that the subject location supports the current zoning. However the subject would benefit from a potential rezoning. It is our opinion that the site, if vacant, could be developed for the above legally permitted (and assumed) uses.

**Physically Possible**

The subject site, containing 29,000 square feet, has all necessary available utilities, and no apparent easements or encroachments that would hinder or prevent development. The site has good street frontage and exposure. Drainage for the building appears to be adequate. The subject's site size falls within the range of improved sites in the area. The site is not considered to significantly restrict the utility of the subject in relation to competing sites. The above legally permitted uses, therefore, are considered physically possible.

**Financially Feasible**

Based on the surrounding improvements and the current real estate environment in New York City manufacturing development is not financially feasible. The subject is located on Atlantic Avenue, a major retail and commercial corridor in Brooklyn, With a FAR of 1.0 for the M zoned portion of the site, a single story commercial/retail building would be financially feasible. The current improvements are underbuilt and are not the highest and best use of the site. Community facility use permits a higher FAR. It is our opinion that rents for community

facilities do not support the additional construction costs for a larger building.

The R6B portion of the site can be developed with a residential building. Market rents, expenses and cap rates support residential development at this time.

**Maximally Productive/ Highest and Best Use**

All legally permissible, physically possible and financially feasible uses of the subject property, as vacant, have been presented and examined. It is our opinion that the highest and best use of the subject property, as vacant, is for retail/commercial development on the M-zoned portion of the site and residential development on the R6B portion of the site.

## APPRAISAL VALUATION PROCESS

In advancing an opinion of the value of the subject property, we considered the three primary approaches to real estate valuation: the Income Approach; the Sales Comparison Approach; and, the Cost Approach.

The Cost Approach is based on the current cost to replace the subject property as of the effective date of appraisal. The value of a property can be derived by the current cost to construct a reproduction or replacement cost for the improvements less the amount of depreciation evident in the improvements from all causes plus the value of the land and on-site improvement costs. This approach is particularly useful for appraising new or incomplete construction such as the subject property. As the subject is a land development site, the Cost Approach was not applied.

The Income Capitalization Approach to value consists of methods used to analyze a property's capacity to generate monetary benefits and convert such into an indication of present value. This analysis relies on market-derived rental rates and operating expenses, which are compared to develop a forecast of the asset's net operating income. This cash flow is then capitalized to suggest the property's overall value. As the subject is a land development site, the Income Approach was not applied. However we have utilized parts of the Income Approach to determine a residual value of the land.

In the application of the Sales Comparison Approach, an opinion market value is advanced by analyzing sales of similar properties to subject property. This approach is based on the principle of substitution and contribution which states that a knowledgeable investor will pay no more for a property than would be paid for a comparable property. We emphasize this methodology in determining the value of the subject as a development site.

### Conclusion

Since investors in development sites analyze the historical sale and asking prices of competitive parcels, we have applied the Sales Comparison Approach in our valuation of the site "As Is." As mentioned earlier, it is our view that the highest and best use of the site is demolition of the existing improvements for retail/commercial development on the M zoned portion of the site and residential development on the R6 portion of the site. When sufficient comparable land sales are available, this is the preferred method to determine the as is value of land. Applying a residual analysis requires many assumptions and is considered to be a less reliable method to determine the as is value of land. However we have used this methodology as a check against our value via the land sales analysis.



## LAND SALES COMPARISON APPROACH

"In the Sales Comparison Approach, market value is estimated by comparing the subject property to similar properties that have been sold recently or for which offers to purchase have been made. A major premise of the sales comparison approach is that the market value of a property is directly related to the prices of comparable, competitive properties."<sup>3</sup>

The Sales Comparison Approach is based on the principle of substitution. This principle implies that a knowledgeable investor will pay no more for a property than the price that would be paid for a substitute property of similar utility and desirability. The procedure involved in this approach is to research the market for sales of properties which are comparable to the subject, select appropriate units of comparison, adjust the sale prices to the subject, and then reconcile the range of adjusted sale prices into a single indication of value for the subject property.

As we are projecting 2 uses for the site (residential and commercial), we have utilized 2 sets of land sales.

### Unit of Comparison

In order to evaluate the comparable sales, it is generally necessary to convert the sales prices to an appropriate unit of comparison. This process facilitates price comparisons between properties of different sizes, and it also enables the appraiser to adjust for qualitative differences.

The comparable sales will be analyzed on the basis of maximum as of right buildable area, the unit of comparison most commonly used to analyze sales of development sites in the subject's market area. The subject site will be valued based upon 36,000 square feet of as of right buildable area of which 22,000 SF is commercial and 14,000 SF is residential.

Included is a map indicating the location of each sale in relation to the subject, a grid outlining the adjustments for each sale price, and the resulting estimated value indication for the subject site. We present the residential zoned properties first, then the commercial zoned properties second.

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<sup>3</sup>*The Appraisal of Real Estate, Appraisal Institute, 14<sup>th</sup> Edition*

## COMPARABLE LAND SALE MAP (RESIDENTIAL ZONE)

